

**MERAFONG CITY LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2009

## **1 BASIS OF ACCOUNTING**

### **1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

### **1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

### **1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

### **1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### **STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET**

#### **1.5 EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005

GRAP 21 Impairment of Non Generating Assets

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 26 Impairment of Cash Generating Assets

GRAP 103 Heritage Assets - issued July 2008

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

## 2 PROPERTY, PLANT AND EQUIPMENT

### 2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### 2.2 SUBSEQUENT MEASUREMENT - COST MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a cost, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

### 2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

## 2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	30 Years	Buildings	30 Years
Pedestrian Malls	30 Years	Specialist vehicles	10 Years
Electricity	20 - 30 Years	Other vehicles	5 Years
Water	15 - 20 Years	Office equipment	3 - 7 Years
Sewerage	15 - 20 Years	Furniture and fittings	7 - 10 Years
		Watercraft	15 Years
<b>Community</b>		<b>Other</b>	
Buildings	30 Years	Bins and containers	5 Years
Recreational Facilities	20 - 30 Years	Specialised plant and equipment	10 - 15 Years
Security	5 Years	Other items of plant and equipment	2 - 5 Years
Halls	30 Years	Landfill sites	15 Years
Libraries	30 Years	Quarries	15 Years
Parks and gardens	2 - 30 Years	Emergency equipment	5 Years
Other assets	5 Years	Computer equipment	5 Years
<b>Heritage assets</b>			
Buildings	30 Years		
Paintings and artifacts	5 - 30 Years		
<b>Finance lease assets</b>			
Office equipment	5 Years		
Other assets	5 Years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

## 2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

# 3 INTANGIBLE ASSETS

## 3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

### **3.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### **3.3 AMORTISATION AND IMPAIRMENT**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 Years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### **3.4 DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **4 INVENTORIES**

### **4.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **4.2 SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

## 5 FINANCIAL INSTRUMENTS

### 5.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

### 5.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### 5.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### 5.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### 5.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### 5.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## 6 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 7 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 8 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 9 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## 10 LEASES

### 10.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

## 10.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## 11 REVENUE

### 11.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on the average of the past six months readings

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### 11.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

## 10.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

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Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### 11.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### **11.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### **12 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

### **13 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Joint Municipal Pension Fund

Joint Municipal Pension Fund

### **14 CONSTRUCTION CONTRACTS AND RECEIVABLES**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by *the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs*

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**MERAFONG CITY LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**2008/2009**

	Note	2009 R'000	2008 R'000
<b>1 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents consist of the following:			
Cash on hand		30	22
Cash at bank		115 836	20 638
Call deposits		302	286
		<b>116 167</b>	<b>20 946</b>
The Municipality has the following bank accounts: -			
<b>Current Account (Primary Bank Account)</b>			
ABSA Bank Ltd - Carletonville Branch Acc No. 3-000-0000-2			
Cash book balance at beginning of year		3 036	(9 892)
Cash book balance at end of year		<b>83 165</b>	<b>3 036</b>
Bank statement balance at beginning of year		3 039	(3 889)
Bank statement balance at end of year		<b>83 165</b>	<b>3 039</b>
<b>Current Account (Other Account)</b>			
ABSA Bank Ltd - Carletonville Branch Acc No 16-1000-0017			
ABSA Bank Ltd - Carletonville Branch Acc No. 40-6380-8201			
ABSA Bank Ltd - Carletonville Branch Acc No. 40-6391-4228			
ABSA Bank Ltd - Carletonville Branch Acc No. 40-6061-4407			
NEDBANK Ltd - Corporate Banking Acc No 1454087331			
NEDBANK Ltd - Corporate Banking Acc No 1454087358			
NEDBANK Ltd - Corporate Banking Acc No 1454087366			
NEDBANK Ltd - Corporate Banking Acc No 1454087374			
NEDBANK Ltd - Corporate Banking Acc No 1454087382			
Cash book balance at beginning of year		17 602	13 423
Cash book balance at end of year		<b>32 670</b>	<b>17 602</b>
Bank statement balance at beginning of year		17 970	11 608
Bank statement balance at end of year		<b>31 105</b>	<b>17 970</b>
<b>Savings Account</b>			
ABSA Bank Ltd - Carletonville Branch Acc No 9079119247			
ABSA Bank Ltd - Carletonville Branch Acc No 6074386162			
ABSA Bank Ltd - Carletonville Branch Acc No 8074386033			
ABSA Bank Ltd - Carletonville Branch Acc No 54365896			
NEDBANK Ltd - Corporate Banking Acc No 7492501323/5			
NEDBANK Ltd - Corporate Banking Acc No 7492501323/7			
NEDBANK Ltd - Corporate Banking Acc No 7492501323/12			
NEDBANK Ltd - Corporate Banking Acc No 7492501323/13			
Cash book balance at beginning of year		286	270
Cash book balance at end of year		<b>302</b>	<b>286</b>
Bank statement balance at beginning of year		286	270
Bank statement balance at end of year		<b>302</b>	<b>286</b>
<b>Cash on hand</b>			
Total cash and cash equivalents		<b>116 167</b>	<b>20 946</b>

**MERAFONG CITY LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
2008/2009

	Note	2009 R'000	2008 R'000
<b>2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
<b>Trade receivables</b>		<b>Gross Balances R'000</b>	<b>Provision for Doubtful Debts R'000</b>
<b>as at 30 June 2009</b>			<b>Net Balance R'000</b>
Service debtors			
Rates		79 895	(68 878)
Electricity		17 784	(13 958)
Water		74 785	(58 699)
Sewerage		33 653	(26 413)
Refuse		52 288	(41 039)
		157 011	(126 795)
<b>Total</b>		<b>415 415</b>	<b>(335 781)</b>
			<b>79 635</b>
<b>as at 30 June 2008</b>			
Service debtors			
Rates		63 522	(56 211)
Electricity		17 358	(14 008)
Water		74 545	(56 646)
Sewerage		29 456	(23 772)
Refuse		45 150	(36 437)
		135 588	(109 424)
<b>Total</b>		<b>365 620</b>	<b>(296 498)</b>
			<b>69 122</b>
<b>Rates: Ageing</b>			
Current (0 – 30 days)			(2 777)
31 - 60 Days			2 742
61 - 90 Days			1 273
91 - 120 Days			985
121 - 365 Days			25 296
+ 365 Days			52 376
<b>Total</b>			<b>79 895</b>
			<b>63 522</b>
<b>Electricity, Water and Sewerage: Ageing</b>			
Current (0 – 30 days)			38 842
31 - 60 Days			48 740
61 - 90 Days			7 036
91 - 120 Days			5 993
121 - 365 Days			120 990
+ 365 Days			113 918
<b>Total</b>			<b>335 520</b>
			<b>302 097</b>
<b>Summary of Debtors by Customer Classification</b>			
	Consumers	Industrial / Commercial	National and Provincial Government
	R'000	R'000	R'000
<b>as at 30 June 2009</b>			
Current (0 – 30 days)		34 914	1 280
31 - 60 Days		50 489	585
61 - 90 Days		7 249	697
91 - 120 Days		6 582	93
121 - 365 Days		310 804	646
<b>Sub-total</b>		<b>410 038</b>	<b>3 301</b>
Less: Provision for doubtful debts		(331 416)	(2 686)
<b>Total debtors by customer classification</b>		<b>78 623</b>	<b>614</b>
			<b>398</b>
<b>as at 30 June 2008</b>			
Current (0 – 30 days)		17 270	366
31 - 60 Days		17 093	575
61 - 90 Days		10 021	261
91 - 120 Days		8 269	107
121 - 365 Days		304 951	1 445
<b>Sub-total</b>		<b>357 603</b>	<b>2 754</b>
Less: Provision for doubtful debts		(292 644)	(1 482)
<b>Total debtors by customer classification</b>		<b>64 960</b>	<b>1 271</b>
<b>Trade and other receivables past due but not impaired</b>			<b>2 891</b>

**MERAFONG CITY LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**2008/2009**

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2009, R39 909 769.82 - (2008: R38 932 568.57 -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Up to 90 days

**Trade and other receivables impaired**

As of 30 June 2009, trade and other receivables of R 415 415 401- (2008: R 365 619 607) were impaired and provided for.

The amount of the provision was R 335 780 841- as of 30 June 2009 (2008: R 296 497 983).

The ageing of these receivables is as follows:

Up to 150 days - 50%	3 172	422
Up to 200 days -75%	3 591	466
Up to 300 days - 80%	51 004	65 777
Inactive Accounts - 100%	2 286	4 000
Indigent debt - 100%	44 620	58 233
Handed over debt - 100%	229 964	165 335
Arrangement - 100%	1 144	2 265

The fair value of trade and other receivables approximates their carrying amounts.

**2 Reconciliation of the doubtful debt provision**

Balance at beginning of the year	296 498	237 532
Contributions to provision	43 480	58 966
Doubtful debts written off against provision	(4 197)	0
Reversal of provision	0	0
<b>Balance at end of year</b>	<b>335 781</b>	<b>296 498</b>

**3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Pre Paid Offsite Vending account	1 634	204
Irregular Expenditure (see Note 30.2)	867	867
Government subsidies	11 076	6 781
Nedbank	88	499
DBSA	0	14 752
<b>Total Other Debtors</b>	<b>13 665</b>	<b>23 102</b>

Pre Paid Offsite vending Debtor: Council discovered an irregularity with the sale of pre paid tokens and the recording off the receipts. Certain funds were not banked and 11 employees were suspended for fraud and criminal cases were opened. A full investigation is underway.

**4 INVENTORIES**

**Opening balance of inventories:**

Consumable stores - at cost	5 261	4 968
Water	4 880	4 600
<b>Additions:</b>	<b>381</b>	<b>368</b>
Consumable stores	107 079	103 760
Water	7 169	7 478
<b>Issued (expensed):</b>	<b>99 910</b>	<b>96 282</b>
Consumable stores	(106 648)	(103 467)
Water	(6 800)	(7 199)
<b>Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):</b>	<b>(99 848)</b>	<b>(96 269)</b>
Consumable stores	(878)	(917)
<b>Closing balance of inventories:</b>	<b>(878)</b>	<b>(917)</b>
Consumable stores	5 692	5 261
Water	5 248	4 880
	444	381

Redundant Stock are provided for stock with no movement in the past 400 days

**MERAFONG CITY LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**2008/2009**

	Note	2009 R'000	2008 R'000
Call investments		190 204	31 354
		190 204	31 354

Fixed deposits amounting to R190 203 538 (2008: R31 353 777) have been ring-fenced for the purposes of repaying long-term liabilities as set out in Note 36.

**6 NON-CURRENT RECEIVABLES**

Consumer Loans	141	138
Computer Loans	12	14
Bursaries	843	774
 Less : Current portion transferred to current receivables	 996	 926
Consumer Loans	(985)	(913)
Computer Loans	(141)	(138)
Bursaries	(2)	(2)
 Total	 (843)	 (774)
	11	12

**CONSUMER LOANS**

Consumer Loans are granted to consumers for the purchase of stands and are charged interest equal to the prevailing prime rate.

**COMPUTER LOANS**

Computer loans are charged at an interest rate equivalent to the rate that Council invest funds during the year.

**BURSARIES**

Bursaries were granted in terms of a specific policy at an interest rate of 8% if the candidate pass or 10% if they fail their academic year.

**7 INVESTMENTS**

<b><u>Financial Instruments</u></b>	11 268	20 226
Fixed Deposits	167	160
Listed Investments	11 435	20 386
 Pledged Investments	 	 

A fixed deposit amounting to R11 435 320 has been invested for the purpose for repaying long-Term Liabilities

**MERAFONG CITY LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**8 PROPERTY, PLANT AND EQUIPMENT**

**8.1 Reconciliation of Carrying Value**

	Land R'000	Buildings R'000	Infrastructure R'000	Community R'000	Heritage R'000	Other Assets R'000	Finance lease assets R'000	Total R'000
<b>as at 1 July 2008</b>	<b>8 240</b>	<b>(7)</b>	<b>139 247</b>	<b>25 082</b>	<b>44</b>	<b>11 503</b>	<b>33 039</b>	<b>217 149</b>
Cost/Revaluation	11 563	6 618	370 018	97 230	44	33 889	45 529	564 893
Accumulated depreciation and impairment losses	(3 324)	(6 625)	(230 771)	(72 148)	0	(22 386)	(12 490)	(347 743)
Acquisitions	0	0	2 497	1 804	0	4 158	3 595	12 053
Capital under Construction	1 062	0	119 873	3 748	0	0	0	124 683
Depreciation	(50)	7	(8 890)	(376)	0	(4 652)	(9 183)	(23 144)
Carrying value of disposals	0	0	0	0	0	(82)	(227)	(310)
Cost/Revaluation	0	0	0	0	0	0	(343)	(506)
Accumulated depreciation and impairment losses	0	0	0	0	0	81	116	197
Impairment loss/Reversal of impairment loss	0	0	7	0	0	0	236	84
Adjustments	0	0	0	(18)	0	0	623	50
Adjustments	0	0	0	18	0	0	3 559	30
<b>as at 30 June 2009</b>	<b>9 253</b>	<b>0</b>	<b>252 733</b>	<b>30 257</b>	<b>45</b>	<b>15 345</b>	<b>27 388</b>	<b>335 021</b>
Cost/Revaluation	12 626	6 618	492 388	102 764	45	38 506	48 831	701 777
Accumulated depreciation and impairment losses	(3 372)	(6 618)	(239 654)	(72 507)	0	(23 161)	(21 444)	(366 756)
Carrying value of assets under Construction	1 365	191 722	9 783				202 870	

**MERAFONG CITY LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2008

**8.2 Reconciliation of Carrying Value**

	Land R'000	Buildings R'000	Infrastructure R'000	Community R'000	Heritage R'000	Other Assets R'000	Finance lease assets R'000	Total R'000
<b>as at 1 July 2007</b>								
Cost/Revaluation	8 262	(48)	89 171	16 556	40	10 120	24 872	148 972
Correction of error (note 36)	11 563	6 618	313 931	88 642	40	37 250	31 901	489 945
Accumulated depreciation and impairment losses	(3 302)	(41)	13	(72 086)	0	(27 129)	(7 029)	(340 945)
Acquisitions	0	0	3 410	3 132	3	2 468	13 628	22 642
Capital under Construction			42 843	5 454				48 297
Depreciation	(35)	0	(5 554)	(61)	0	(5 525)	(5 461)	(16 637)
Carrying value of disposals	0	0	0	0	0	(338)	0	(338)
Cost/Revaluation	0	0	0	0	0	(1 651)	0	(1 651)
Accumulated depreciation and impairment losses	0	0	0	0	0	1 313	0	1 313
Impairment loss/Reversal of impairment loss	0	0	(442)	2	1	4 913	0	4 474
*Other movements	6	0	9 833	(0)	0	1 012	0	10 851
<b>as at 30 June 2008</b>								
Cost/Revaluation	8 240	(7)	139 248	25 082	44	11 503	33 039	217 150
Accumulated depreciation and impairment losses	11 563	6 618	370 018	97 230	44	33 889	45 529	564 893
	(3 324)	(6 625)	(230 770)	(72 148)	0	(22 386)	(12 490)	(347 742)
Carrying value of assets under Construction			77 742	5 967				
							83 709	

**MERAFONG CITY LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
<b>9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>			
Trade creditors		38 185	25 637
Payments received in advance		6 956	4 358
Retentions		8 372	4
Tender Deposits		0	38
Outstanding Cheques		3 118	13 430
Other creditors		4 371	5 812
Staff leave accrual		8 655	7 721
<b>Total creditors</b>		<b>69 657</b>	<b>56 999</b>

The fair value of trade and other payables approximates their carrying amounts.

**10 CONSUMER DEPOSITS**

Electricity and Water		9 019	8 066
<b>Total consumer deposits</b>			
		<b>9 019</b>	<b>8 066</b>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>			
		<b>1 246 660</b>	<b>1 513 860</b>

**11 VAT PAYABLE**

VAT payable		<b>25 946</b>	<b>24 037</b>
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

**12 VAT RECEIVABLE**

VAT receivable		<b>3 970</b>	<b>5 349</b>
<b>VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.</b>			

**13 PROVISIONS**

Performance bonus		1 364	1 341
<b>Total Provisions</b>			

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists.

Performance bonuses are provided at 12% of the packages of section 57 employees and Managers with performance contracts as stated in the contracts.

The movement in current provisions are reconciled as follows: -

	Performance Bonus
<b>as at 1 July 2008</b>	<b>1 341</b>
Contributions to provision	1 364
Expenditure incurred	(1 341)
<b>as at 30 June 2009</b>	<b>1 364</b>
 <b>as at 1 July 2007</b>	 <b>1 214</b>
Contributions to provision	1 396
Expenditure incurred	(1 270)
<b>as at 30 June 2008</b>	<b>1 341</b>

**MERAFONG CITY LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
<b>14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>			
<b>14.1 Unspent Conditional Grants from other spheres of Government</b>			
MIG Grants		24 724	14 043
PHB Gauteng		708	2 772
PHB North-West		241 861	18 238
DPLG		3 334	3 923
WRDM		1 463	858
Southern District Municipality		4 232	3 400
Department of Mineral Energy		5 594	5 594
Provincial LED Projects		564	437
<b>14.2 Other Unspent Conditional Grants and Receipts</b>			
NLDTF		(1 094)	68
Public contributions		774	47
<b>Total Unspent Conditional Grants and Receipts</b>		<b>282 160</b>	<b>49 381</b>
<b>Non-current unspent conditional grants and receipts</b>			
<b>Current portion of unspent conditional grants and receipts</b>		<b>282 160</b>	<b>49 381</b>

See Note 22 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

**15 BORROWINGS**

Local Registered Stock Loans	4 000	5 100
Annuity Loans	77 234	75 691
	<b>81 234</b>	<b>80 791</b>
Less : Current portion transferred to current liabilities	(7 000)	(17 196)
Local Registered Stock Loans	0	(1 100)
Annuity Loans	(7 000)	(16 096)
<b>Total borrowings</b>	<b>74 234</b>	<b>63 595</b>

Refer to Appendix A for more detail on borrowings.

**16 FINANCE LEASE LIABILITY**

	Minimum lease payment R'000	Future finance charges R'000	Present value of minimum lease payments R'000
<b>2009</b>			
<b>Amounts payable under finance leases</b>			
Within one year	13 449	3 826	9 623
Within two to five years	31 449	4 484	26 965
	<b>44 898</b>	<b>8 310</b>	<b>36 588</b>
Less: Amount due for settlement within 12 months (current portion)			(9 623)
			<b>26 965</b>

The average lease term is 5 years and the average effective borrowing rate is 12.5%. The Amasondo contract is linked to prime Interest rate. Rentworks are fixed for the period of five years. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

	Minimum lease payment R'000	Future finance charges R'000	Present value of minimum lease payments R'000
<b>2008</b>			
<b>Amounts payable under finance leases</b>			
Within one year	19 306	5 371	13 935
Within two to five years	37 670	8 310	29 360
	<b>56 976</b>	<b>13 682</b>	<b>43 295</b>
Less: Amount due for settlement within 12 months (current portion)			(13 935)
			<b>29 360</b>

The average lease term is 5 years and the average effective borrowing rate is 12.5%. The Amasondo contract is linked to prime Interest rate. Rentworks are fixed for the period of five years. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

**MERAFONG CITY LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
<b>17 PROPERTY RATES</b>			
<b>Actual</b>			
Residential		81 854	54 803
State		0	816
<b>Total property rates</b>		<b>81 854</b>	<b>55 619</b>
Property rates - penalties imposed and collection charges		2 946	3 753
<b>Total</b>		<b>84 800</b>	<b>59 372</b>
<b>Valuations</b>			
Residential		4 420 797	452 654
Commercial		1 146 931	77 145
State		74 249	4 439
Municipal		194 539	1 431
<b>Total Property Valuations</b>		<b>5 836 516</b>	<b>535 670</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.0099 (2008: R0.0199) is applied to property valuations for residential properties, R0.0235 for Businesses and R0.0300 for mines to determine assessment rates. Rates are levied on a monthly basis on property owners. Interest at Prime is levied on outstanding rates.

**18 SERVICE CHARGES**

Sale of electricity	107 306	82 831
Sale of water	142 923	135 453
Refuse removal	22 617	21 612
Sewerage and sanitation charges	16 339	15 072
Rent Subsidised Housing	714	582
<b>Total Service Charges</b>	<b>289 898</b>	<b>255 551</b>

**19 RENTAL OF FACILITIES AND EQUIPMENT**

Rental of facilities	667	681
Rental of equipment	272	260
<b>Total rentals</b>	<b>939</b>	<b>941</b>

**20 INTEREST EARNED - EXTERNAL INVESTMENTS**

Bank	32 263	9 121
<b>Total interest</b>	<b>32 263</b>	<b>9 121</b>

**21 INTEREST EARNED - OUTSTANDING RECEIVABLES**

Debtors	17 090	16 531
<b>Total interest</b>	<b>17 090</b>	<b>16 531</b>

**22 GOVERNMENT GRANTS AND SUBSIDIES**

Equitable Share	84 996	65 298
Health subsidies	5 491	8 516
District Municipalities	4 366	9 836
Government Grants received	143 396	62 031
<b>Total Government Grant and Subsidies</b>	<b>238 249</b>	<b>145 681</b>

**22.1 Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R181.73 (2008: R168.56) which is funded from this grant.

**MERAFONG CITY LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
<b>22.2 Provincial Health Subsidies</b>			
Balance unspent at beginning of year		0	0
Current year receipts - included in public health vote		65	8 516
Conditions met - transferred to revenue		(65)	(8 516)
Conditions still to be met - transferred to liabilities (see note 14)		0	0

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy

	Note	0	0
Balance unspent at beginning of year		14 043	11 193
Current year receipts		38 504	29 373
Conditions met - transferred to revenue		(27 823)	(26 524)
Conditions still to be met - transferred to liabilities (see note 14)		24 724	14 043

This grant was used to construct various infrastructure assets. No funds have been withheld.

	Note	0	0
Balance unspent at beginning of year		437	450
Current year receipts		390	0
Conditions met - transferred to revenue		(263)	(14)
Conditions still to be met - transferred to liabilities (see note 14)		564	437
		0	0

Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government (included in Council General vote in Appendix D). No funds have been withheld.

	Note	0	17
Balance unspent at beginning of year		0	0
Current year receipts		0	0
Conditions met - transferred to revenue		0	(17)
Conditions still to be met - transferred to liabilities (see note 14)		0	0

This grant was used to construct infrastructure. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

	Note	0	7
Balance unspent at beginning of year		0	0
Current year receipts		0	0
Conditions met - transferred to revenue		0	(7)
Conditions still to be met - transferred to liabilities (see note 14)		0	0

This grant was used to construct infrastructure. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

	Note	3 923	5 226
Balance unspent at beginning of year		1 235	1 234
Current year receipts		(1 824)	(2 536)
Conditions met - transferred to revenue		3 334	3 923
Conditions still to be met - transferred to liabilities (see note 14)			

This grant was used to construct infrastructure. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

**MERAFONG CITY LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2009**

	Note	2009 R'000	2008 R'000
<b>22.8 Gauteng Provincial Housing Board</b>			
Balance unspent at beginning of year		2 772	4 756
Current year receipts		973	1 160
Conditions met - transferred to revenue		(3 037)	(3 144)
Conditions still to be met - transferred to liabilities (see note 14)		708	2 772

This grant was used to construct housing. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

**22.9 North West Provincial Housing Board**

Balance unspent at beginning of year	18 238	18 337
Current year receipts	330 510	24 707
Conditions met - transferred to revenue	(106 887)	(24 806)
Conditions still to be met - transferred to liabilities (see note 14)	241 861	18 238

This grant was used to construct housing. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

**22.1 Public Works**

Balance unspent at beginning of year	0	88
Current year receipts	0	0
Conditions met - transferred to revenue	0	(88)
Conditions still to be met - transferred to liabilities (see note 14)	0	0

This grant was used to construct infrastructure. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

**22.11 West Rand District Municipality**

Balance unspent at beginning of year	858	2 004
Current year receipts	1 091	440
Conditions met - transferred to revenue	(485)	(1 587)
Conditions still to be met - transferred to liabilities (see note 14)	1 463	858

This grant was used to construct infrastructure and to finance a HIV Programme. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

**22.13 GAUTRANS**

Balance unspent at beginning of year	0	246
Current year receipts	0	0
Conditions met - transferred to revenue	0	(246)
Conditions still to be met - transferred to liabilities (see note 14)	(0)	0

This grant was used to construct infrastructure and to finance a HIV Programme. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

**22.14 Dr Kaunda District Municipality**

Balance unspent at beginning of year	3 400	2 020
Current year receipts	3 909	4 232
Conditions met - transferred to revenue	(3 077)	(2 852)
Conditions still to be met - transferred to liabilities (see note 14)	4 232	3 400

This grant was used to construct infrastructure and to finance a HIV Programme. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

**MERAFONG CITY LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
<b>22.15 Department of Mineral Energy</b>			
Balance unspent at beginning of year		5 594	194
Current year receipts		0	5 400
Conditions met - transferred to revenue		0	0
Conditions still to be met - transferred to liabilities (see note 14)		<u>5 594</u>	<u>5 594</u>

This grant was used to construct infrastructure and to finance a HIV Programme. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

**22.16 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, 2006, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

**23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS**

**23.1 Other income**

Total Other Income	7 049	16 553
	<u>7 049</u>	<u>16 553</u>

**23.1 Public contributions and donations**

Public contributions - Conditional	1 607	758
Public contributions - Unconditional		
Donations		
<b>Total public contributions and donations</b>	<b>1 607</b>	<b>758</b>
<b>Reconciliation of conditional contributions</b>		
<b>Balance unspent at beginning of year</b>	<b>116</b>	<b>4 085</b>
Current year receipts	1 607	758
Conditions met - transferred to revenue	(2 043)	(4 727)
<b>Conditions still to be met - remain liabilities (see note 14)</b>	<b>(320)</b>	<b>116</b>

This grant was used to construct infrastructure. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

**24 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	112 662	100 105
Employee related costs - Contributions for UIF, pensions and medical aids	32 409	30 528
Travel, motor car, accommodation, subsistence and other allowances	6 666	6 582
Housing benefits and allowances	2 517	2 324
Overtime payments	14 844	11 328
Performance bonus	1 268	1 270
Long-service awards	863	624
<b>Total Employee Related Costs</b>	<b>171 230</b>	<b>152 761</b>

There were no advances to employees / Loans to employees are set out in note 3.

**Remuneration of the Municipal Manager**

Annual Remuneration	850	748
Performance Bonus	93	90
<b>Total</b>	<b>943</b>	<b>838</b>

**Remuneration of the Chief Finance Officer**

Annual Remuneration	711	625
Performance- and other bonuses	92	75
<b>Total</b>	<b>803</b>	<b>701</b>